

**Department 127 - Tax Commissioner
Senate Bill No. 2006**

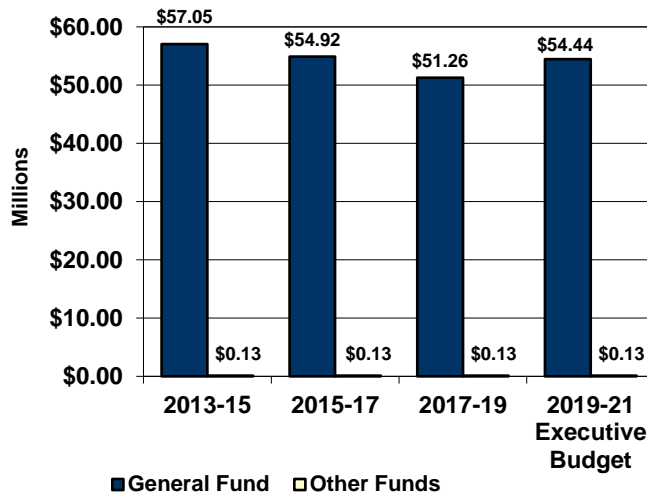
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	123.00	\$54,443,793	\$125,000	\$54,568,793
2017-19 Legislative Appropriations	133.00	51,264,499	125,000	51,389,499
Increase (Decrease)	(10.00)	\$3,179,294	\$0	\$3,179,294

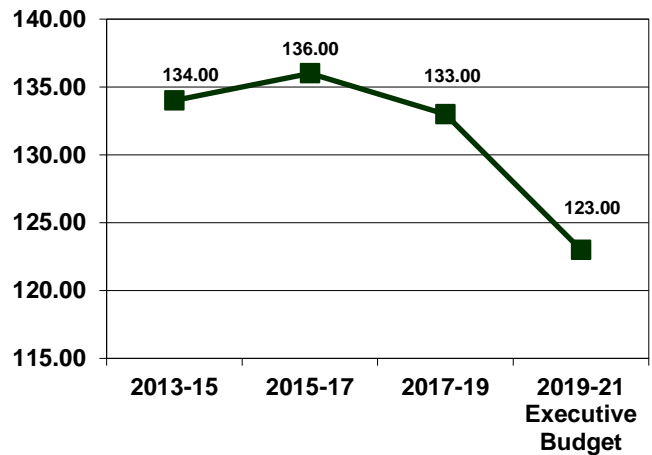
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$54,443,793	\$0	\$54,443,793
2017-19 Legislative Appropriations	51,264,499	0	51,264,499
Increase (Decrease)	\$3,179,294	\$0	\$3,179,294

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$54,443,793	\$125,000	\$54,568,793
2019-21 Base Level	51,264,499	125,000	51,389,499
Increase (Decrease)	\$3,179,294	\$0	\$3,179,294

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$904,179 is for salary increases, \$479,935 is for health insurance increases, and \$118,035 is for retirement increases	\$1,502,149	\$0	\$1,502,149
2. Increases funding for 1 FTE auditor position that was partially funded for the 2017-19 biennium to provide a total of \$150,000	\$75,000	\$0	\$75,000
3. Removes 10 FTE unfunded vacant positions, including 2 office assistants, 1 account technician, 2 auditors, and 5 unspecified positions	\$0	\$0	\$0
4. Underfunds salaries and wages	(\$772,252)	\$0	(\$772,252)
5. Increases funding for GenTax information technology software support	\$300,589	\$0	\$300,589
6. Adds funding for Microsoft Office 365 licensing	\$62,576	\$0	\$62,576

7. Increases funding for the homestead tax credit program, from \$14,800,000 to \$15,800,000	\$1,000,000	\$0	\$1,000,000
8. Increases funding for the disabled veterans' tax credit program, from \$8,110,200 to \$8,410,200	\$300,000	\$0	\$300,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Line item transfers - Section 2 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2019-21 biennium.

Motor vehicle fuel tax revenue transfer - Section 3 would provide for a transfer of \$1,991,024 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.

Salary of Tax Commissioner - Section 4 would provide the statutory changes necessary to increase the Tax Commissioner's salary. The executive budget recommends a 4 percent increase effective July 1, 2019, and a 2 percent increase effective July 1, 2020. The Tax Commissioner's annual salary would increase from the current salary of \$114,791 to \$119,383 effective July 1, 2019, and to \$121,770 effective July 1, 2020.

Deficiency Appropriation

Senate Bill No. 2024 provides a deficiency appropriation of \$1,320,000 from the general fund for the homestead tax credit program (\$1,170,000) and the disabled veterans' tax credit program (\$150,000).

Continuing Appropriations

Multistate tax audit fund - North Dakota Century Code Section 57-01-20 - Collections from the Multistate Tax Commission and Nexus program.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2017-18 interim identified no significant audit findings.

Major Related Legislation

Senate Bill No. 2036 - Removes obsolete language related to an expired income tax credit for angel fund investments and automation tax credits.

Senate Bill No. 2042 - Removes the requirement for oil-producing counties and school districts located in oil-producing counties to report to the Tax Department regarding the use of oil and gas tax revenue allocations.

Senate Bill No. 2089 - Provides technical corrections for clarity and consistency relating to various reports received by the Tax Department and definitions for administering sales and use taxes.

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	133.00	\$51,264,499	\$125,000	\$51,389,499
2019-21 Ongoing Funding Changes				
Base payroll changes		\$711,232		\$711,232
Salary increase		904,179		904,179
Health insurance increase		479,935		479,935
Retirement contribution increase		118,035		118,035
Adds funding for an auditor position (partial funding in 2017-19)		75,000		75,000
Removes unfunded vacant FTE positions	(10.00)			0
Underfunds salaries and wages		(772,252)		(772,252)
Adds funding for GenTax software support		300,589		300,589
Adds funding for Microsoft Office 365 licensing		62,576		62,576
Adds funding for homestead tax credits		1,000,000		1,000,000
Adds funding for disabled veterans' tax credits		300,000		300,000
Total ongoing funding changes	(10.00)	\$3,179,294	\$0	\$3,179,294
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(10.00)	\$3,179,294	\$0	\$3,179,294
2019-21 Total Funding	123.00	\$54,443,793	\$125,000	\$54,568,793

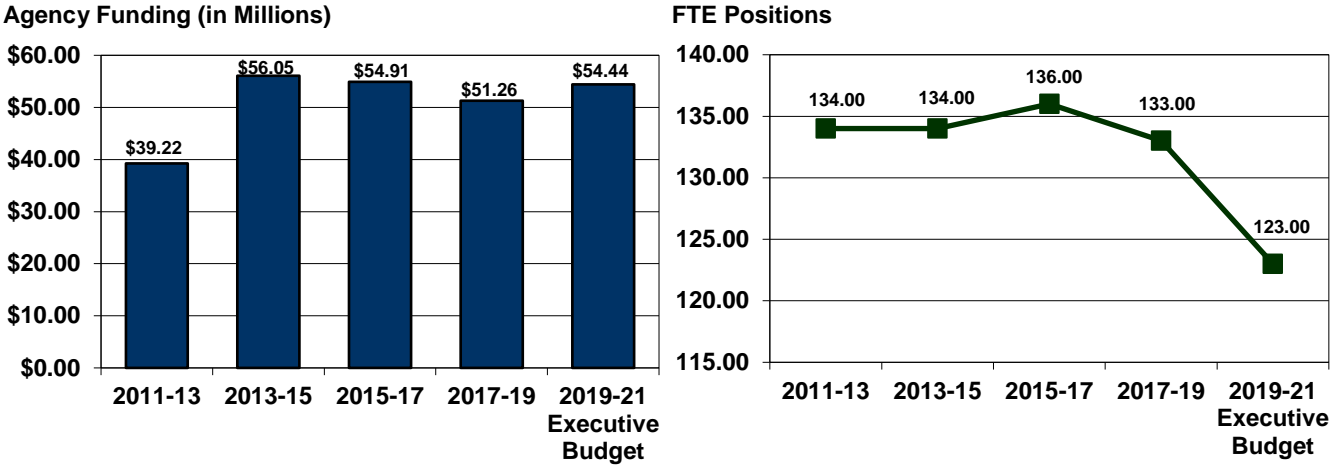
Other Sections for Tax Commissioner - Budget No. 127

	Executive Budget Recommendation
Line item transfers	Section 2 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2019-21 biennium.
Motor vehicle fuel tax revenue transfer	Section 3 would provide for a transfer of \$1,991,024 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.
Salary of Tax Commissioner	Section 4 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$114,791 to \$119,383 (4 percent) in fiscal year 2020 and to \$121,770 (2 percent) in fiscal year 2021.

Department 127 - State Tax Commissioner

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2011-13



Ongoing General Fund Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing general fund appropriations	\$39,220,304	\$56,054,140	\$54,912,488	\$51,264,499	\$54,443,793
Increase (decrease) from previous biennium	N/A	\$16,833,836	(\$1,141,652)	(\$3,647,989)	\$3,179,294
Percentage increase (decrease) from previous biennium	N/A	42.9%	(2.0%)	(6.6%)	6.2%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	42.9%	40.0%	30.7%	38.8%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2013-15 Biennium

- 1. Added funding for the homestead tax credit program \$11,207,212
- 2. Added funding for the disabled veterans' tax credit program \$3,434,080
- 3. Added funding for GenTax software support \$1,000,000

2015-17 Biennium

- 1. Added funding for 1 FTE research analyst position and 1 FTE property tax specialist position \$186,611
- 2. Added funding for operating expenses, including \$200,000 for GenTax software support \$560,755
- 3. Reduced funding for the homestead tax credit program (\$1,310,000) and the disabled veterans' tax credit program (\$502,909) related to the August 2016 budget reductions (\$1,812,909)

2017-19 Biennium

- 1. Reduced funding for operating expenses, primarily related to professional services, postage, and office equipment and furniture (\$878,967)
- 2. Reduced funding for the homestead tax credit program (\$3,890,000) and increased funding for the disabled veterans' tax credit program (\$935,109) (\$2,954,891)

2019-21 Biennium (Executive Budget Recommendation)

- 1. Provides funding for state employee salary and benefit increases of which \$904,179 is for salary increases, \$479,935 is for health insurance increases, and \$118,035 is for retirement increases \$1,502,149
- 2. Adds funding for 1 FTE auditor position that was partially funded for the 2017-19 biennium \$75,000
- 3. Removes 10 FTE unfunded vacant positions, including 2 office assistants, 1 account technician, 2 auditors, and 5 unspecified positions and underfund FTE positions (\$772,252)
- 4. Adds funding for GenTax information technology software support \$300,589
- 5. Increases funding for the homestead tax credit program (\$1,000,000) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

**GOVERNOR'S RECOMMENDATION FOR THE
STATE TAX COMMISSIONER AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the tax commissioner for the purpose of defraying the expenses of the tax commissioner and paying the state reimbursement under the homestead tax credit and disabled veterans credit, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	<u>Base level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$21,724,004	\$1,516,129	\$23,240,133
Operating expenses	6,749,295	363,165	7,112,460
Capital assets	6,000	0	6,000
Homestead tax credit	14,800,000	1,000,000	15,800,000
Disabled veterans credit	<u>8,110,200</u>	<u>300,000</u>	<u>8,410,200</u>
Total all funds	\$51,389,499	\$3,179,294	\$54,568,793
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$51,264,499	\$3,179,294	\$54,443,793
Full-time equivalent positions	133.00	(10.00)	123.00

SECTION 2. LINE ITEM TRANSFERS – 2019-21 BIENNIUM. The state tax commissioner may transfer between the homestead tax credit and disabled veterans credit line items in section 1 of this Act if one line item does not have sufficient funds available for state reimbursement of eligible tax credits. The state tax commissioner shall notify the office of management and budget of any transfers made pursuant to this section.

SECTION 3. TRANSFER. There is transferred to the general fund in the state treasury out of motor vehicle fuel tax revenue collected pursuant to section 57-43.1-02, the sum of \$1,991,024 for the purpose of reimbursing the general fund for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the administration of these taxes for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 4. AMENDMENT. Section 57-01-04 of the North Dakota Century Code is amended and reenacted as follows:

57-01-04. Salary.

The annual salary of the state tax commissioner is ~~one hundred eleven thousand four hundred forty-eight dollars through June 30, 2016, and one hundred nineteen thousand three hundred eighty-three dollars through June 30, 2020, and one hundred fourteen thousand seven hundred ninety-one dollars one hundred twenty-one thousand seven hundred seventy dollars thereafter.~~ one hundred nineteen thousand three hundred eighty-three dollars through June 30, 2020, and one hundred fourteen thousand seven hundred ninety-one dollars one hundred twenty-one thousand seven hundred seventy dollars thereafter.